

## ABSTRACT OF THE DISCLOSURE

A system and method for communicating a device's capabilities uses a digital watermark embedded in content data. The watermark includes parameters concerning a source unit's communications capabilities. The watermark is embedded within content data, such as multimedia data, of a data packet. A destination unit, upon receiving the data packet detects if a watermark is present, and if so extracts the source's capability parameters from the watermark. The destination unit then negotiates with the source unit to use certain capabilities based on the source capability information contained in the watermark.